

November 13, 2003

MAINE PUBLIC UTILITIES COMMISSION
Investigation into Bell Atlantic-Maine's
Alternative Form of Regulation

ORDER GRANTING WAIVER
OF SQI NOTICE
REQUIREMENT

I. SUMMARY

In this Order, we grant Verizon Maine (Verizon) a waiver of one of the payment and notice requirements under the Alternative Form of Regulation (AFOR) with certain conditions.

II. BACKGROUND

The original AFOR established for Verizon in Docket No. 94-123, contained a Service Quality Index (SQI) mechanism with 12 measures of performance and associated benchmarks that the Company must meet annually. If the Company fails to meet any of the benchmarks, a rebate, based on the severity of the deviation from the benchmark standard, must be paid to customers. When we extended and modified the AFOR in Docket No. 99-851, we modified both the SQI to include 15 measures of performance, and some of the benchmarks. In addition, we increased the amount of the maximum potential per-metric penalty (to \$2.27 million for the Service Outage metric and \$1.135 million for all others) and the maximum annual penalty (\$12.5 million). By its incorporation of the existing SQI in all respects not modified in the modified AFOR, the extended and modified AFOR retained the requirement that annual penalty amounts over \$750,000 be returned to customers "in equal credits in 12 monthly bills", and the requirement that the line-item rebate amount have next to it the notation, "REBATE FOR BELOW-STANDARD SERVICE QUALITY." *Maine Public Utilities Commission, Investigation into Verizon Maine's Alternative Form of Regulation*, Docket No. 99-851 Order (June 25, 2001) at 85-86.

For the SQI measurement period of July 2002 through June 2003, Verizon failed to meet six of the fifteen SQI metrics and, therefore, incurred a total penalty of \$876,670. Under the requirements of the AFOR, Verizon would be required to provide this credit on a per-access-line basis over 12 monthly bills. On September 26, 2003, Verizon filed a letter signed by Edward B. Dinan, its President for Maine, that, "proposed" to provide the rebate in one monthly payment of approximately \$1.47 per line in December 2003, "rather than the 12 payments of approximately 12 cents per line that would be permitted under the rule." Mr. Dinan further stated that the administrative efficiency of a single payment would outweigh any cash flow benefits that would be afforded to Verizon by spreading the rebate over 12 months.

While not explicitly stated in Mr. Dinan's letter, we believe it is necessary to consider the letter as a request by Verizon for waiver of the AFOR requirement that an annual penalty exceeding \$750,000 be returned to customers over 12 months. Although Mr. Dinan characterized the AFOR as enabling and permitting Verizon to return the current rebate over 12 months, in fact the 12-month provision for amounts over \$750,000 is a *requirement*, not an option.

III. DECISION

We find the Company's request to be reasonable and not adverse to the public interest, but we impose one condition in our granting of the waiver. Although the original AFOR Order gave no reason for the imposition of a 12-month payment period for penalty amounts exceeding \$750,000, the Company has posed one explanation: that of cash flow considerations. Another equally plausible reason for the requirement would be to remind customers in 12 monthly bills that the Company failed its SQI obligations during the previous measurement period. The need to make that statement may provide some additional incentive for the Company to meet the SQI benchmarks. Because we grant the waiver of the 12-month rebate requirement, we believe it necessary to provide customers with some additional information about the origin of the credit amount. The Company and the Commission Staff have reached an agreement for the wording of a message of approximately 100 words (the maximum that Verizon claims its billing format allows) that will appear on all of the Company's bills during December 2003, the month when customers will receive the credit. The message is as follows:

Verizon Maine must meet benchmarks established by the Public Utilities Commission (PUC) for fifteen service quality indices. These benchmarks cover customer service, service reliability and customer satisfaction and are among the most stringent in the nation. While the service quality provided in Maine is among the best in Verizon, Verizon Maine did not meet six of these indices for the period of July 2002 through June 2003. The PUC has ordered Verizon to provide a total rebate of \$876,670, which is divided among customers on per-line basis. The per-line rebate of \$1.47 is included in this bill.

Verizon must include this message on each of its bills that contain the credit amount. Verizon must also use the required identification description of the credit amount on each customer's bill. We have examined the Company's calculation of the credit amount per line and find that \$1.47 per access line is the correct amount of credit.

Accordingly, we

O R D E R

1. That Verizon Maine provide a credit in the amount of \$1.47 per access line on its December 2003 bills to rebate to customers the amount of \$876,670 that is due because of Verizon's failure to meet six service quality metrics during the period of July 2002 through June 2003;
2. That on each of its bills that include the credit amount, Verizon must include the message contained in the body of this Order; and
3. That Verizon Maine shall identify the line-item credit amount on each of its bills as, "REBATE FOR BELOW-STANDARD SERVICE QUALITY."

Dated at Augusta, Maine, this 13th day of November, 2003.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Diamond
 Reishus

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within **21 days** of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.